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2003 Results-oriented annual report of the United Nations Capital Development Fund

Summary

This is the fourth results-oriented annual report (ROAR) of the United Nations Capital Development Fund (UNCDF), produced in compliance with Executive Board decision 99/22. The report assesses the results achieved by UNCDF for the entire period of its Strategic Results Framework (SRF) for 2000-2003.

In line with Executive Board decision 99/22, UNCDF investments and capacity building services are concentrated in two areas – local governance and microfinance.

Between 2000 and 2003, UNCDF partially achieved its operational targets in these two areas, while achieving its targets in organizational strengthening. A critical factor that has influenced performance is the core resource situation; despite an increase in core and non-core contributions in 2003, the long-term financial viability of the organization remains a concern.

This report should be read in conjunction with the report on the independent evaluation of the impact of UNCDF programmes and projects conducted in 2003 (DP/2004/18). The UNCDF management response document (DP/2004/19), presents the responses to the findings in these two reports.

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I. Introduction

1. Each year the UNCDF ROAR reports on the results achieved that year under the 2000-2003 SRF (DP/2000/CRP.10). This year the ROAR provides a cumulative assessment of the results attained from 2000 to 2003. This report should be read in conjunction with the report (DP/2004/18) on the 2003 independent evaluation of the impact of UNCDF programmes and projects, as background to the UNCDF management response document (DP/2004/19), which presents the strategic and operational responses to the findings in these two reports, and proposes the way forward for the organization.

2. The overall goal of UNCDF is to help reduce poverty in the least developed countries (LDCs) first and foremost. In line with Executive Board decision 99/22, UNCDF activities are concentrated in two service lines – local governance and microfinance.

3. The overall goal of reducing poverty is served by three sub-goals:

(a) Sub-goal 1: To increase sustainable access of the poor to basic infrastructure and public services, as well as to productive livelihoods opportunities, through good local governance and enhanced natural resources management;

(b) Sub-goal 2: To increase access of the poor, especially women, to financial services on a sustainable basis through strengthened microfinance institutions and an enabling environment; and

(c) Sub-goal 3: To promote a financially sound organization which develops and implements quality programming in local governance and microfinance.

4. UNCDF is a member of the UNDP group and reports to the UNDP/UNFPA Executive Board. UNCDF programmes are designed to be in line with international and national policy frameworks such as the Millennium Development Goals (MDGs), the Brussels Programme of Action for the LDCs, and the country poverty reduction strategies (PRSs), as well as to be complementary to interventions within the United Nations Development Assistance Framework (UNDAF). In the majority of cases, UNCDF programmes its activities jointly with UNDP.

5. Sub-goals (a) and (b) are directly aligned with the relevant service lines of the UNDP multi-year funding framework (MYFF), and the SRF period is also harmonized with it.

II. Financial and portfolio analysis

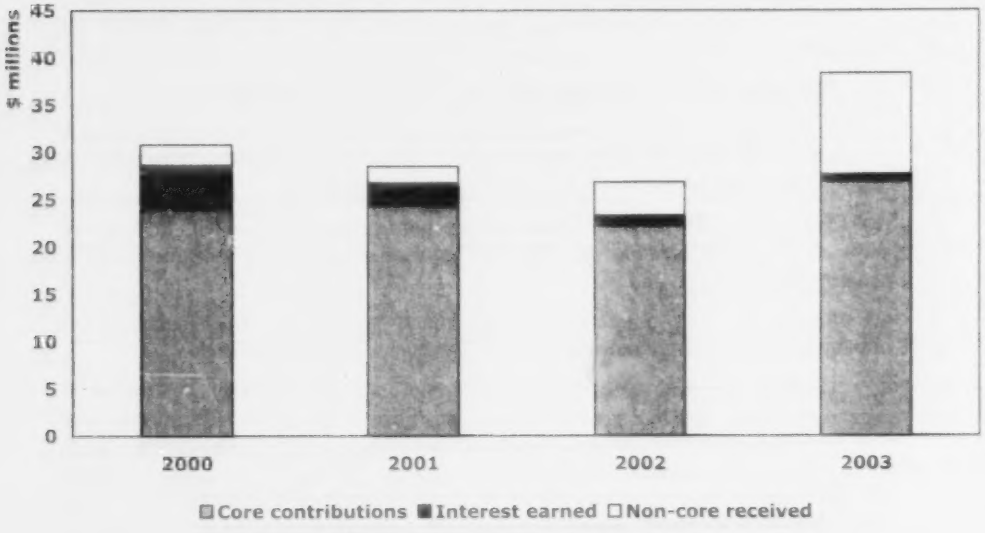
A. Financial analysis[1]

6. In 2003, the operational activities of UNCDF continued to be severely affected by the lower-than-expected level of contributions to its core resources, although on the income side, the downward trend of 2000-2002 was reversed. Core contributions increased from $22.2 million in 2002 to $26.9 million in 2003, 10 per cent short of the mobilization target of $30 million per year.

[1] The financial figures for 2003 are provisional.

7. As figure 1 illustrates, voluntary contributions made up the bulk of UNCDF overall resources. Until 2001, the interest earned on accumulated liquidities was the second largest 'contributor' to UNCDF. As UNCDF responded to demands from donor and programme countries to ensure impact on the ground through increased programme delivery, accumulated liquidities were depleted and interest earnings dropped rapidly, to $0.7 million in 2003. Non-core contributions have become an important second component of UNCDF resources, rising from $2.2 million received in 2000 to $10.7 million in 2003.

Figure 1. UNCDF resources : core, non-core received and interest, 2000-2003



8. Faced with the below-target level of core contributions in 2002, and with rapidly decreasing operational reserves, UNCDF had to reduce its core expenditures significantly in 2003 to align programme expenditures with available resources to ensure the integrity of the Fund. This resulted in programme expenditures from core resources of $16.7 million, down about a third from 2002. The situation also required a significant reduction of new project approvals, from $9.1 million in 2002 to $5.1 million in 2003, and a write-off of more than $55 million in outstanding commitments, involving programme cuts and closures.

9. The total expenditure from core and non-core resources between 2000 and 2003 was $147 million, with annual expenditures showing a downward trend since 2000. Total expenditures in 2003 were at a low of $27.8 million, down from $48.5 million in 2000. However, the 2003 portfolio clean-up, combined with an improving core resource situation, will allow for increased expenditures in 2004. Non-core expenditures reached a high of $4.9 million in 2003, and are projected to grow further in 2004.

Table 1. Expenditures from core and non-core resources (2000-2003)

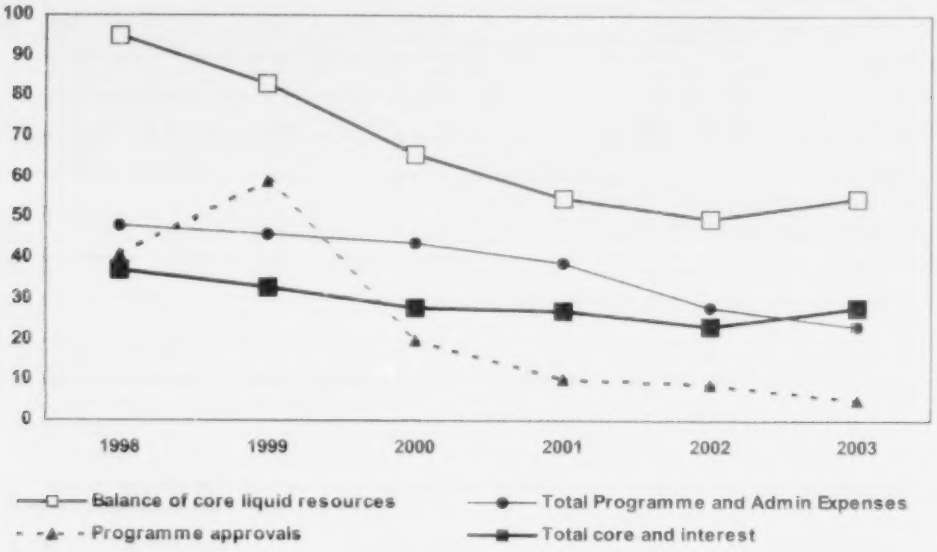
Expenditures (in $ millions)	2000	2001	2002	2003	2000-2003	%
From core	39.3	32.8	22.6	16.7	111.4	
From non-core	4.0	1.6	2.2	4.9	12.7	
Total programme level expenditures	43.3	34.4	24.8	21.6	124.1	84%
Management and administration	2.7	3.2	2.7	3.2	11.8	
Programme support	2.5	2.8	2.8	3.0	11.1	
Total Headquarters expenditures	5.2	6.0	5.5	6.2	22.9	16%
Grand total	**48.5**	**40.4**	**30.3**	**27.8**	**147**	**100%**

10. Table 2 analyses the total expenditures by SRF sub-goal. Local governance programmes were the primary focus of UNCDF spending – 78 per cent of total over the past four years – though the actual volume has declined significantly. Microfinance programme expenditures, accounting for 12 per cent of total, declined between 2000 and 2002 as under-performing projects were closed, but increased in 2003 as new investments were made in support of the sector development approach. Spending for organizational strengthening comes to 10 per cent of total.

Table 2. Expenditures per SRF sub-goal (2000-2003)

Expenditures (in $ millions)	2000	2001	2002	2003	2000-2003	%
Sub-goal 1: Local governance						
Programme level	36.3	29.4	23.2	18.5	107.4	
Headquarters level	1.8	2.0	2.0	2.1	7.9	
Subtotal	38.1	31.4	25.2	20.6	115.3	78%
Sub-goal 2: Microfinance						
Programme level	5.9	4.1	1.9	2.6	14.5	
Headquarters level	0.7	0.8	0.8	0.9	3.2	
Subtotal	6.6	4.9	2.7	3.5	17.7	12%
Sub-goal 3: Organizational strengthening						
Programme level	1.1	0.9	-0.3	0.5	2.2	
Headquarters level	2.7	3.2	2.7	3.2	11.8	
Subtotal	3.8	4.1	2.4	3.7	14.0	10%
Grand total	**48.5**	**40.4**	**30.3**	**27.8**	**147**	**100%**

Figure 2. UNCDF financial situation with respect to core resources, 1998-2003 ($ millions)



11. Figure 2 shows the trend in the UNCDF financial situation for core resources between 1998 and 2003, as programme approvals and expenditures were reduced significantly to ensure the financial integrity of the Fund. In 2003, these actions, together with the increase in core resources, resulted in income slightly higher than expenditures, allowing for a higher level of programme expenditures in 2004.

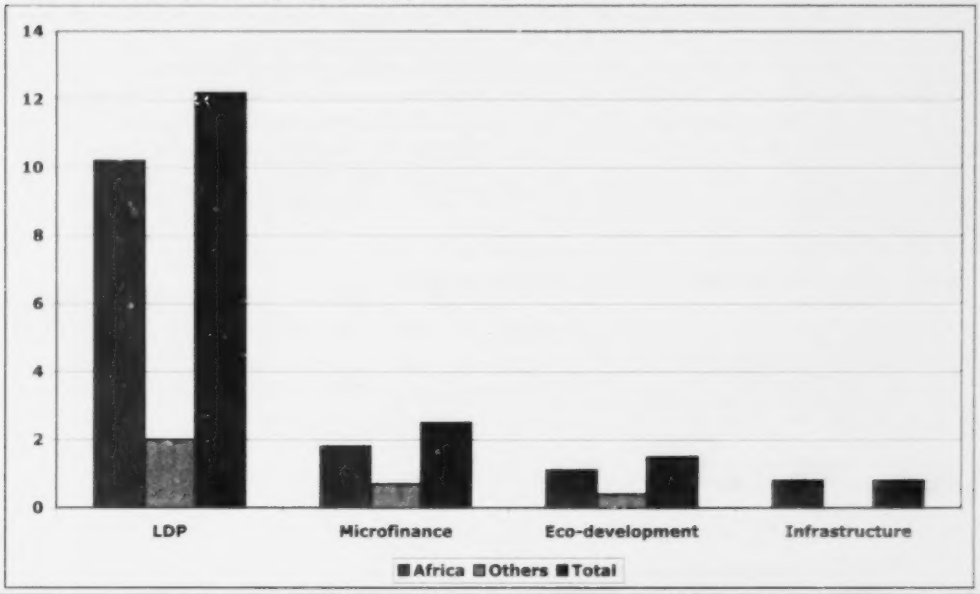
B. ROAR portfolio analysis

12. In 2003, UNCDF had an active portfolio of 74 projects with total programme expenditures from core and non-core resources of $21.6 million, of which 50 projects met the criteria for reporting[2]. Of these, 36 projects from 25 countries with expenditures of $17 million (or 79 per cent of total) submitted annual reports aggregated into this ROAR. The majority of the reporting projects are local development programmes (LDPs), followed by microfinance investments, eco-development projects, and infrastructure projects.

13. UNCDF resources are concentrated in Africa, with 26 projects (72 per cent of reporting projects) accounting for 82 per cent of expenditures. LDPs absorbed the majority of funding, followed by microfinance and eco-development projects. As infrastructure projects were phased out, by 2003 they accounted for just 5 per cent of expenditures.

[2] Projects with more than five months of activities and expenditure of more than $50,000 in the year of reporting.

Figure 3. ROAR portfolio per project type and region ($ millions)



Region	Africa		Others		Total		
Project type	**#**	**$**	**#**	**$**	**#**	**$**	**%**
LDP	15	10.2	4	2	19	12.2	72%
Microfinance	5	1.8	4	0.7	9	2.5	15%
Eco-development	3	1.1	2	0.4	5	1.5	9%
Infrastructure	3	0.8	0	0	3	0.8	5%
Total	**26**	**13.9**	**10**	**3.1**	**36**	**17.0**	**100**

III. Performance analysis

14. In order to assess the performance of UNCDF under its SRF, the following performance rating method has been established (see the annex for details on methodology):

Percentage of reporting projects achieving 75% or more of planned targets	Rating
75% or more	Satisfactory
50%-74%	Partially achieved
Less than 50%	Below expectations

A. Performance analysis for sub-goal 1: Local governance

15. Sub-goal 1 of the SRF is *to increase sustainable access of the poor to basic infrastructure and public services and to productive livelihoods opportunities through local governance and enhanced natural resources management.*

16. Total expenditure for 2000-2003 came to $115.3 million. For 2003, 27 projects reported under this sub-goal (19 LDPs, five eco-development projects and three infrastructure projects).

Key aggregate results (2000-2003)

(a) Policy impact achieved in 15 countries (79 per cent success rate).
(b) Replication achieved in 14 countries (74 per cent success rate).
(c) $29.1 million in non-core resource agreements signed in support to LDPs.
(d) An estimated 6.5 million people can benefit from several thousand small-scale infrastructures constructed over the four years; these include water and sanitation infrastructures, rural roads, irrigation schemes, health centers and schools.

17. The following table summarizes 2000-2003 performance under sub-goal 1.

Table 3. 2000-2003 aggregate performance under sub-goal 1

	Outcome	2000	2001	2002	2003	Average
1.1.1	Improved capacity of local communities and civil society organizations to participate in the planning of local development.	85%	82%	67%	**56% ⇓**	**73%**
1.1.2	Participatory planning processes are institutionalized at the level of local authorities.	57%	79%	73%	**68% ⇓**	**69%**
1.2.1	Financing mechanisms, based on principles of good governance, are institutionalized at the local level.	76%	71%	64%	**49% ⇓**	**65%**
1.2.2	Local authorities have improved access to sustainable funding sources.	38%	44%	60%	**40% ⇓**	**46%**
1.3.1	Local capacity to deliver basic infrastructure and public services is increased.	79%	54%	42%	**46% ⇑**	**55%**
1.3.2	Local capacity to maintain basic infrastructure and public services is increased.	57%	63%	62%	**48% ⇓**	**58%**
1.3.3	Local communities are empowered to hold local authorities accountable for the delivery of basic infrastructure and public services.	67%	84%	65%	**74% ⇑**	**72%**
1.4.1	Capacity of the local authorities and the communities to manage the natural resources base in a sustainable manner is improved.	50%	60%	51%	**56% ⇑**	**54%**

	Outcome	2000	2001	2002	2003	Average
1.5.1	National policy and regulatory frameworks for decentralization and strengthened local government is improved.	83%	59%	62%	40% ⇓	61%
1.5.2	Best practices of UNCDF pilot projects are replicated by other donors and central governments.	80%	50%	58%	52% ⇓	60%
	Average	67%	65%	60%	53% ⇓	61%

Results

18. As a small-scale investor, the impact of the organization at the country level emanates from its ability to be innovative and to provide stakeholders with concrete results on the ground on a pilot scale, paving the way for larger-scale replication and policy impact. Those outcomes (1.5.1 and 1.5.2) are therefore of great importance to UNCDF and warrant further weighting. The indicators for the four-year period suggest partial achievement in policy impact (61 per cent) and replication (60 per cent). However, this understates the cumulative achievements of UNCDF in promoting decentralization as an effective strategy for poverty reduction in LDCs.

19. During the SRF period, at the request of programme countries, UNCDF supported decentralization efforts in 19 countries. UNCDF has achieved significant policy impact in the development and approval of national decentralization policies in 15 of these countries. In 14 countries (74 per cent), UNCDF pilots were replicated by other larger development partners. Interest in the LDP approach is also reflected in growing non-core support from partners, totalling $29.1 million.

Examples of policy impact and replication in Niger and Bangladesh

***Niger**: Replication by UNDP, the World Bank and DANIDA. UNCDF was responsible for formulating the governance component of the Community-Driven Development/World Bank programme. In 2003, a pre-appraisal mission was conducted by the Belgian Cooperation for another project adopting the LDP model of intervention in Niger.*

***Bangladesh**: UNCDF piloted a methodology for assessing the performance of local governments was adopted by the Government and replicated nationwide. The Government committed to direct block-grant funding for local authorities and requested support in rolling out, nationwide, the financing and planning procedures piloted by UNCDF. A number of donors are replicating the UNCDF approach.*

20. These upstream policy outcomes were achieved very rapidly, as efforts towards them were initiated only in 1999.

21. In 2002, UNCDF began to leverage its experience by offering advisory services in local governance to UNDP and other development partners on a cost-recovery basis. To date, some 25 missions have been fielded in support of UNDP, the World Bank and bilateral partners. This has allowed for dissemination of experience and lessons learned and is a mark of recognition for UNCDF expertise.

22. Overall, UNCDF rates its performance under this sub-goal as partially achieved, with an overall (unweighted) average achievement rate of 61 per cent. In 2003, cuts in core funding had a deleterious effect on overall project performance

and, consequently, an adverse effect on client organizations, local authorities, and local populations in LDCs.

> ***Excerpt from an aide-memoire evaluating UNCDF support to a good local governance project in Tanzania**: [T]he budget cuts in 2003, amounting to $1.6 million, caused the interruption of road projects and left the contractors in a vulnerable position; they experienced difficulties in repaying loans and their training was not extended beyond the pilot stage. Village access, services and employment were also affected. More importantly, confidence in the project was lost.*

Challenges and the way forward

23. While the scope for policy-piloting in the area of setting up local governance and decentralization systems is narrowing as many countries press forward with decentralization, building on its expertise and knowledge base, UNCDF can contribute to the broader UNDP corporate goal of *localizing the MDGs* and broker partnerships between local public and private actors.

The MDGs and PRSs at the local level

24. Many of the goods and services prioritized within PRSs, and required to achieve the MDGs, are precisely those best decentralized to local authorities. This presents a major opportunity to build and focus on areas of policy innovation in basic service delivery, such as local pro-poor public expenditure management; local accountability; the service-delivery role of the local private sector; and local public-private partnerships in service delivery to the poor.

Follow-up to the recently launched United Nations report "Unleashing entrepreneurship: making business work for the poor"

25. This report highlighted the essential role of private entrepreneurial activity in economic development and poverty reduction, especially in the smaller urban and the rural areas where UNCDF has strong experience and developed expertise. Fostering local entrepreneurship and developing an enabling environment for the local private sector stimulates local economic development, which, besides increasing access to basic social services, is vital to achieving the MDGs. This could include activities such as encouraging private investment through local public investment in 'enabling' infrastructure projects; innovating schemes for direct support to private enterprise; facilitating access to broader financing options; and piloting a role for local authorities in brokering market information and resources.

B. Performance analysis for sub-goal 2: Microfinance

26. Sub-goal 2 is *to increase access of the poor, especially women, to financial services on a sustainable basis through strengthened microfinance institutions (MFIs) and an enabling environment.*

27. In addition to managing UNCDF investments in microfinance, UNCDF is the technical and policy advisor to the UNDP group in microfinance. Total expenditure for 2000-2003 came to $17.7 million.

Key aggregate results (2000-2003)

28. Seventeen countries have improved their policy and enabling environment for microfinance services with support from UNCDF.

(a) A total of 573,485 people have received microfinance services from MFIs supported by UNCDF.

(b) In 2003, 543,733 people received microfinance services from the MFIs supported by the UNDP/UNCDF MicroStart programme, with women making up 93 per cent of clients.

(c) Thirty-one, or two-thirds, of the MFIs currently supported have achieved operational self-sufficiency.

Results

29. Through the MicroStart programme, UNCDF has partnered with UNDP in 20 countries, half of them LDCs. By the end of 2003, the 68 MFIs had increased their active clients by over 400,000 and made significant progress towards sustainability. Preliminary findings from an external review of the UNDP global microfinance portfolio by the Consultative Group to Assist the Poor (CGAP) indicate that MicroStart is the most successful programme in the UNDP portfolio and that the design and technical management of UNCDF are key factors behind this success.

Support and scaling up for a market leader. *Equity Building Society (EBS) has emerged as a leading MFI in East Africa. UNCDF and UNDP supported this successful institution through both the MicroStart and MicroSave programmes. Increased efficiency as a result of the MicroStart grant for computers and training reduced customer service time from 30 minutes about two minutes. EBS credits MicroStart with improving its level of service so significantly that other financial institutions were forced to follow suit. UNCDF/UNDP support to EBS was followed by $3 million from other sources.*

30. The performance of UNCDF-supported microfinance projects improved over the period due to the concentration of support on MFIs that demonstrated potential. Notable achievements include the expansion of the female client base and the attainment of full operational self-sufficiency by more than a third of the MFIs. Nevertheless, for many of the UNCDF-supported MFIs, operational and financial self-sufficiency remain challenges.

31. Over the SRF period, UNCDF had demonstrable impact on the development of national microfinance policy in 17 programme countries, and in 2003 approved its first programme applying the sector development approach. Together with UNDP and the KfW bank group, UNCDF launched a $9.3 million programme to build the microfinance sector in Sierra Leone. In addition, seven sector development appraisals were carried out in 2003. However, there remains the problem of insufficient core funding available to initiate new investments.

Table 4. 2000-2003 aggregate performance under sub-goal 2

	Outcome	2000	2001	2002	2003	Average
2.1.1	MFIs reaching targets regarding number of active borrowers.	96%	70%	70%	78% ⇑	78%
2.2.1	Microfinance institutions are financially viable and provide quality services.	88%	56%	68%	55% ⇓	68%

	Outcome	2000	2001	2002	2003	Average
2.3.1	Number of countries that have improved their enabling environments for supporting the development of microfinance.	1	5	9	**17** ⇑	**n.a.**
	Average (2.1.1 and 2.2.1 only)	92%	63%	69%	**72%**	**74%**

(SRF indicators 2.1.1 and 2.2.1 relate only to UNCDF investments; 2.3.1 relates to both UNCDF and UNDP investments)

Challenges and the way forward

32. Microfinance should be provided in a sustainable manner in order to ensure outreach and have a lasting impact on poverty reduction. UNCDF determined that the building of microfinance as an integral part of the formal financial sector is an effective means of meeting the MDGs. Countries with young and/or emerging microfinance sectors that can develop and integrate into the formal, commercial sector over time should be targeted. The growing pipeline of investments and successful implementation of this strategy will require an increase in available resources.

33. UNCDF will continue to provide technical advisory services and training to develop the capacity of the UNDP group, donor agencies and governments – often in partnership with CGAP – to apply best microfinance practices. The designation by the General Assembly of UNCDF, with the United Nations Department of Economic and Social Affairs, to serve as focal point to coordinate the activities of the United Nations system for the International Year of Microcredit in 2005 provides an opportunity to highlight the contribution of microfinance to the MDGs and to building inclusive financial sectors.

C. Performance analysis for sub-goal 3: Organizational strengthening

34. Sub-goal 3 is *to promote a financially sound organization, which develops and implements quality programming in local governance and microfinance.*

35. Total expenditure for organizational strengthening for 2000-2003 came to $14 million. The overall target attainment rate was fully satisfactory, with a high achievement average of 84 per cent of all targets over the four years. The indicators under this sub-goal were refined and revised in 2002 to better capture performance in terms of corporate and financial management. However, what is not adequately reflected in the indicators is the long-term financial viability of the organization, which, as the independent impact assessment concluded, is a major concern.

Table 5. 2000-2003 aggregate performance under sub-goal 3

	Outcome	2000	2001	2002	2003	Average
3.1.1.	UNCDF moves from policy refinement to achieving policy impact.	Satisfactory	57%	68%	**71%** ⇑	**65%**
3.1.2.	UNCDF maintains operational results and quality assurance through improved elements of the project cycle and continuous learning through monitoring and evaluation.	95%	76%	106%	**79%** ⇓	**89%**
3.1.3.	UNCDF maximizes its comparative advantage through strengthened and expanded strategic partnerships.	Partially achieved	Satisfactory	129%	**97%** ⇓	**113%**

	Outcome	2000	2001	2002	2003	Average
3.2.1.	UNCDF maintains effective corporate management.		77%	82%	87% ⇑	82%
3.2.2.	UNCDF attracts, develops and retains high quality personnel.	n.a.	n.a.	106%	93% ⇓	100%
3.2.3.	UNCDF improves financial efficiency.	87%	96%	62%	104% ⇑	87%
3.2.4.	UNCDF expands and diversifies its funding base.	67%		78%		74%
	Average	83%	71%	90%	90%	84%

Key aggregate results (2000-2003)

(a) The independent impact assessment confirmed that UNCDF had progressed from blueprint infrastructure projects to focus on LDPs and microfinance investments in LDCs. It also confirmed that UNCDF had made a successful transition from policy development and refinement to achieving policy impact and replication.

(b) UNCDF has developed strong technical expertise and implementation capacity in local governance and microfinance, and is recognized by partners as a provider of high quality technical advisory services in these areas.

(c) A total of $30.5 million was raised in non-core resources, almost tripling from 2000 to 2003.

36. The strategic areas where UNCDF performed most strongly were in operational results and quality assurance (89 per cent), strategic partnerships (113 per cent) and in building teams of high-quality technical experts (100 per cent). In order to work better with its primary partner – UNDP – two memoranda of understanding have been signed for each of the two service lines. As indicated in the independent impact assessment, additional work needs to be done to clarify the strategic relationship between UNDP and UNCDF.

37. Corporate management was effective and focused on following through on the recommendations of the 1999 external evaluation and completing the tasks enumerated in the Business Plan 2001-2003.

38. Given the below-target core contributions, management took actions necessary to ensuring the financial integrity of the Fund. The high rating under the financial efficiency indicator reflects effective management of limited financial resources, as well as the recent success in non-core resource mobilization. However, as programme resources fell, the ratio of programme to overall expenditures inevitably diminished. This should be rectified in 2004 when programme expenditure returns to a higher level. The medium- to long-term financial viability of the organization, however, remains in question.

Challenges and the way forward

39. UNCDF is at a critical crossroads. There is little indication that the Fund will be able to attain the Board-endorsed core resources target of $30 million per year under the current operational strategy. UNCDF could continue to concentrate its limited programme resources on its two niche areas, as endorsed in Executive Board decision 99/22, responding in a limited manner to pressing demands from LDCs for capital and technical assistance. However, experience shows that investments in

complex decentralization and microfinance sectoral support programmes require a medium- to long-term perspective and commitment to ensure positive impact.

40. The independent impact assessment of UNCDF has put forward several recommendations including suggestions to analyse, review and develop a new business model and the appropriate corporate governance arrangements to support it. Some basic principles and directions are presented in the UNCDF management response document (DP/2004/19).

41. UNCDF can build on the strong expertise and capacity in its current niche areas, and has the ability to make timely adjustments to its programming strategy in response to the changing needs and opportunities, and to implement these changes expeditiously.

IV. Analysis of outcomes by strategic areas of support

42. This section provides analyses of the different outcomes grouped under the strategic areas of support for each of the three sub-goals. Percentages in the tables denote the percentage of projects that have achieved 75 per cent or more of their annual targets.

A. Local governance

43. The strategic areas of support for this sub-goal are sequentially related to the implementation cycle of the LDPs. For example, capacity building in participatory planning usually takes place before capacity building for infrastructure delivery. As a result, the number of projects reporting varies for each indicator over the years.

44. The first strategic area of support for local governance is *1.1: Promote a participatory development planning process at the local level*. It has two outcomes.

Outcome 1.1.1: Improved capacity of local communities and civil society organizations to participate in the planning of local development. (2000-2003 average: 73%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.1.1.a – Community needs are assessed in a participatory manner.	88% 14/16	95% 19/20	66% 12/19	**67%** **12/18**
1.1.1.b – Participation of women in community needs assessments.	83% 10/12	69% 11/16	88% 7/8	**71%** **5/7**
1.1.1.c – Members of local development committees and women's groups are trained in participatory planning.	n.a.	81% 13/16	47% 7/15	**31%** **4/13**
Average	**85%**	82%	**67%**	**56%**

45. This was an area of consistently good performance for UNCDF until recently, with a cumulative average of 73 per cent of its projects attaining satisfactory performance. Levels of participation remained high in 2000 but, faced with budget reductions, priority had to be given to capital investments over capacity building.

Outcome 1.1.2: Participatory planning processes are institutionalized at the level of local authorities. (2000-2003 average: 69%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.1.2.a – Local authorities approve local development plans	57% 8/14	82% 14/17	47% 8/17	**56%** **9/16**
1.1.2.b – Guidelines for elaborating local development plans exist and are complied with	n.a.	73% 8/11	81% 13/16	**58%** **7/12**
1.1.2.c – Local authorities' guidelines require that Local Development Plans derive from participatory planning exercise.	n.a.	83% 5/6	100% 2/2	**100%** **5/5**
1.1.2.d – Local authorities define and apply transparent investment selection criteria.	n.a	100% 10/10	55% 6/11	**57%** **8/14**
1.1.2.e – Community representatives, including women, are involved in the approval of local development plans.	n.a.	58% 7/12	82% 9/11	**70%** **7/10**
Average		79%		**68%**

46. Between 2000 and 2003, at least 1,965 local development committees were formed and at least 1,230 local development plans approved for funding, with more than 76,000 community members involved, about 30 per cent of them women. To ensure that women were able to participate in a meaningful way; in Bangladesh, for example, separate voting cards were used to avoid manipulation of the decision making for project approval at the local level.

47. The second strategic area of support for local governance is *1.2: Promote sound and sustainable financing and financial management practices at the local level.* It has two outcomes.

Outcome 1.2.1. Financing mechanisms based on principles of good governance are institutionalized at the local level. (2000-2003 average: 65%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.2.1.a – Local authorities prepare annual investment plans.	n.a.	100% 11/11	85% 11/13	**67%** **10/15**
1.2.1.b – Local authorities' accounts are audited by a national audit authority.	n.a.	40% 2/5	17% 1/6	**(17%)** **2/12**
1.2.1.c – Improved compliance by local authorities with national financial, management and accounting procedures.	86% 6/7	75% 3/4	83% 5/6	**55%** **6/11**

Indicators	2000 results	2001 results	2002 results	2003 results
1.2.1.d – Local authorities meet project defined minimum conditions for fund access.	n.a.	80% 8/10	75% 6/8	**50%** **8/16**
1.2.1.e – Local authorities staff are trained in accounting and financial management.	n.a.	33% 5/15	53% 9/17	**42%** **5/12**
1.2.1.f – Local authorities publicize budgets and expenditures (including indicative planning figures).	67% 4/6	100% 8/8	70% 7/10	**67%** **8/12**
Average	**76%**	71%	**64%**	**49%**

48. Although the percentage of projects attaining 75 per cent or more of their targets has declined, the absolute number of successful projects has been consistent for most indicators under this outcome. Several projects have reported that planned audits were not done because of budget cuts.

Outcome 1.2.2. Local authorities have improved access to sustainable funding sources. (2000-2003 average: 46%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.2.2.a – Local authorities' local revenues increase.	38% 3/8	50% 3/6	67% 8/12	**16%** **2/12**
1.2.2.b – Intergovernmental fiscal transfers to local authorities are stabilized or increase.	n.a.	33% 2/6	50% 2/4	**60%** **3/5**
1.2.2.c – Donor funding to local authorities increases	n.a	50% 3/6	62% 5/8	**44%** **4/9**
1.2.2.d – UNCDF funding as a share of local authorities' total resources declines, according to plan.	n.a.	n.a.	67% 4/6	**30%** **1/3**
Average	**38%**	44%	**60%**	**40%**

49. The overall low performance in this area highlights the severe challenge facing local authorities in accessing alternative sources of sustainable funding. There have been focused efforts to use local investment plans for mobilizing additional local resources, with mixed success.

50. The third strategic area of support to local governance is *1.3: Develop local capacity to deliver and maintain basic infrastructure and public services on a sustainable basis.* It has three outcomes.

Outcome 1.3.1. Increased local capacity to deliver basic infrastructure and public services. (2000-2003 average: 55%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.3.1.a – Number of basic infrastructure and public services at community level increases.	68% 15/22	55% 12/22	35% 9/26	42% 9/21
1.3.1.b – Targets for km of roads rehabilitated or constructed achieved.	n.a.	60% 6/10	50% 5/10	50% 3/6
1.3.1.c – Micro-projects are completed within 125% of planned budget.	n.a.	71% 10/14	30% 3/10	46% 6/12
1.3.1.d – Micro-projects are completed within 125% of scheduled timing.	n.a.	40% 4/10	25% 2/8	30% 3/10
1.3.1.e – At least 75% of micro-projects are positively assessed for quality.	89%	30% 3/10	57% 8/14	61% 8/13
1.3.1.f – Local authorities and the private sector are trained in the delivery of basic infrastructure and public services.	n.a.	67% 12/18	60% 15/25	45% 9/20
Average	**79%**	54%	**42%**	**46%**

51. This outcome has inevitably been the one most affected by the budget cutbacks. Since 2002, results have dropped to below 50 per cent. This is cause for grave concern, not only because this is the outcome most directly related to ultimate poverty impact but also because the budget cutbacks undermine UNCDF credibility and partnership with both local and national authorities.

Outcome 1.3.2. Increased local capacity to maintain basic infrastructure and public services. (2000-2003 average: 58%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.3.2.a – Physical infrastructure is being maintained two years after it was built.	n.a.	60% 3/5	75% 3/4	63% 7/11
1.3.2.b – Micro-projects that have operation and maintenance plans and budgets prior to construction.	57% 8/14	50% 7/14	69% 9/13	57% 4/7
1.3.2.c – Targets regarding km of roads rehabilitated or constructed that have maintenance plans and budgets are met.	n.a.	100% 2/2	67% 2/3	25% 1/4

Indicators	2000 results	2001 results	2002 results	2003 results
1.3.2.d – Local authorities and the private sector are trained in the maintenance of basic infrastructure.	n.a.	43% 6/14	37% 7/19	(50%) 9/18
Average	**57%**	63%	62%	48%

52. Sound operations and effective maintenance of infrastructure are key to ensuring the sustainability of local development efforts and long-term impact on poverty alleviation. This area has been identified as problematic by external evaluators and has been recognized as a corporate priority for remedial action.

Outcome 1.3.3. Local communities are empowered to hold local authorities accountable for the delivery of basic infrastructure and public services. (2000-2003 average: 72%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.3.3.a – Local authorities have put in place and are using consultation mechanisms.	n.a.	67% 8/12	54% 7/16	**50%** **6/12**
1.3.3.b – Local authorities are bound by rules that ensure that bidding and contracting is transparent and that the processes are open to public review.	n.a.	86% 6/7	50% 6/12	**73%** **8/11**
1.3.3.c – Local communities have access to public spending records.	67% 4/6	100% 3/3	100% 3/3	**100%** **5/5**
Average	**67%**	84%	65%	**74%**

53. This is an area of relative strength. Public access to information on local spending has been successfully ensured over the years, and transparent rules and processes have been established.

54. The fourth strategic area of support to local governance is *1.4: Promote productive livelihoods opportunities through sustainable local management of natural resources*. It has one outcome.

Outcome 1.4.1. Improved capacity of local authorities and communities to manage the natural resource base in a sustainable manner. (2000-2003 average: 54%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.4.1.a. – Local authorities plan and invest in initiatives relating to natural resource management.	50% 3/6	63% 5/8	50% 6/12	**50%** **4/8**
1.4.1.b – Local authorities control and regulate access and use of natural resources.	n.a.	60% 3/5	50% 4/8	**36%** **4/11**

Indicators	2000 results	2001 results	2002 results	2003 results
1.4.1.c – Initiatives relating to natural resource management supported by two or more local authorities.	n.a.	40% 2/5	67% 6/9	**60%** **3/5**
1.4.1.d – Natural resource management user groups are established and functional.	n.a.	71% 5/7	44% 4/9	**63%** **5/8**
1.4.1.e – Increase in households deriving their income from new on-farm or off-farm activities.	n.a.	67% 8/12	43% 6/14	**70%** **7/10**
Average	**50%**	60%	**51%**	**56%**

55. Performance in this area was low in 2002 but improved slightly in 2003, partly due to a more comprehensive conceptual framework that highlighted the key role of '*local environmental governance*', combining institutional development, regulatory frameworks and appropriate techniques.

56. The fifth strategic area of support to local governance is *1.5. Advocate for national policies supporting decentralization, and for replication of pilot programmes.* It has two outcomes.

Outcome 1.5.1. Improved national policy and regulatory frameworks for decentralization and strengthened local government. (2000-2003 average: 61%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.5.1.a – National policy directions on decentralization are influenced by UNCDF programmes.	n.a.	43% 3/7	50% 6/12	**55%** **6/11**
1.5.1.b - Statutory and legal frameworks are influenced by UNCDF programmes.	100% 7/7	100% 4/4	50% 2/4	**40%** **2/5**
1.5.1.c – Regulatory framework is influenced by UNCDF programmes.	67% 6/9	60% 3/5	100% 3/3	**14%** **1/7**
1.5.1.d – Norms, systems and procedures at the local level reflect UNCDF lessons learned.	n.a.	33% 3/9	46% 6/13	**50%** **8/16**
Average	83%	59%	62%	**40%**

57. The average assessment for the four-year period understates the cumulative achievements under this important outcome, which is that policy impact has been achieved in 15 out of 19 countries (79 per cent).

Outcome 1.5.2. Best practices of UNCDF pilot projects are replicated by other donors. (2000-2003 average: 60%)

Indicators	2000 results	2001 results	2002 results	2003 results
1.5.2.a – UNCDF support to local authorities is replaced or increased through co-financing by other donors.	80% 4/5	100% 2/2	40% 2/5	**50%** **2/4**
1.5.2.b – UNCDF programmes are replicated outside UNCDF programme areas by other donors.	n.a.	50% 1/2	67% 2/3	**40%** **2/5**
1.5.2.c – UNCDF programme methodology has been adopted by other donors.	n.a.	0% 0/1	67% 6/9	**67%** **4/6**
Average	80%	50%	58%	**52%**

58. UNCDF pilots have been replicated or overtly imitated by other, larger development partners in 14 countries. In some cases, development partner projects have been influenced by the LDP approach, though without explicit recognition.

B. Microfinance

59. The first strategic area of support to microfinance is *2.1: Support an increase in assets of the poor.* It has one outcome.

60. In the following analysis, the performance assessments presented in the tables for outcomes 2.1 and 2.2 only refer to UNCDF microfinance investments, while the assessment of UNCDF support to UNDP microfinance investments is provided in narrative only.

61. Through MicroStart, UNCDF partnered with UNDP in 20 countries. The 68 MFIs that received assistance reached more than half a million clients during the period of support. They increased from a baseline of 141,414 to 543,733 active clients, an increase of more than 400,000. Ninety-two per cent of these clients are women. The impact assessment of UNCDF also noted the key role it played in the initial launch and scaling up of MicroSave Africa, which provided new or improved financial services to over 450,000 clients in 2003.

Outcome 2.1.1. The poor, especially women, have greater access to microfinance. (2000-2003 average: 79%)

Indicators	2000 results	2001 results	2002 results	2003 results
2.1.1.a – MFIs reaching targets regarding number of active borrowers.	96% 26/27	70% 19/27	70% 16/23	**78%** **7/9**
Average	**96%**	70%	**70%**	**78%**

62. With respect to the microfinance investments of UNCDF itself, seven out of nine MFIs attained their targets for active borrowers in 2003 and one of them exceeded those targets. The performance is of concern as it reflects a declining portfolio. This year, the MFIs report an increase in the percentage of female borrowers – 68 per cent compared to 46 per cent last year.

63. The second strategic area of support to microfinance is *2.2: Promote the development of sustainable microfinance institutions.* It has one outcome.

64. For the UNDP MicroStart investments, managed by UNCDF, 2003 saw an increasing number of 'breakthrough' MFIs[3]. Of the 32 active MFIs, 21 (or 66 per cent) demonstrated clear progress towards operational self-sufficiency, 18 of them (56 per cent) having already achieved this. In addition, 21 MFIs (66 per cent) had a portfolio-at-risk at 30 days below the industry benchmark of 5 per cent.

Outcome 2.2.1. Microfinance institutions are financially viable and provide quality services. (2000-2003 average: 69%)

Indicators	2000 results	2001 results	2002 results	2003 results
2.2.1.a – MFIs reaching targets regarding operational self-sufficiency rates.	88% 14/16	59% 16/27	95% 20/21	**63%** **5/8**
2.2.1.b – MFIs reaching targets regarding portfolio at risk.	n.a.	42% 11/26	48% 11/23	**56%** **5/9**
2.2.1.c – MFIs reaching targets regarding portfolio outstanding.	n.a.	67% 18/27	61% 14/23	**78%** **7/9**
Average	**88%**	56%	**68%**	**65%**

65. With respect to UNCDF microfinance investments (see table above), MFIs made satisfactory progress towards their targets for portfolio outstanding. Performance towards operational self-sufficiency and reducing portfolio-at-risk remain challenging.

66. The third strategic area of support to microfinance is *2.3: Advocate for an enabling environment for sustainable microfinance activities.* It has one outcome.

Outcome 2.3.1. Countries have improved their enabling environment for supporting the development of microfinance. (Cumulative total: 17 countries)

Indicators	2000 results	2001 results	2002 results	2003 results
2.3.1.a – Number of countries improving their enabling environment for supporting the development of microfinance with UNCDF support.	1 country Madagascar	5 countries adding – Cambodia Mongolia Morocco Uganda	9 countries adding – Kenya Malawi Mauritania Nigeria	**17 countries adding –** **Egypt** **Lesotho** **Senegal** **Sierra Leone** **Tanzania** **Togo** **Turkey** **Yemen**
Cumulative total	**1**	5	**9**	**17**

67. Prior to 2003, UNCDF had succeeded in at least nine programme countries; in 2003, eight more were added to the list. This result represents an important shift in government policies towards supporting sustainable microfinance, as well as the increased focus of UNCDF on policy support.

[3] A breakthrough is defined as an organization that becomes a major service provider in its geographic area, attaining substantial independence from donors through financial viability, and influencing other providers.

C. Organizational strengthening

68. The first strategic area of support to organizational strengthening is *3.1: Promote excellence in the planning, implementation, monitoring and evaluation of local development programmes and microfinance operations.* It has three outcomes.

Outcome 3.1.1. UNCDF moves from policy refinement to achieving operational impact. (2000-2003 average: 65%)

Indicators	2000 results	2001 results	2002 results	2003 results
3.1.1.a – External evaluations with overall positive findings.	Satisfactory	Satisfactory	73% 11/15	**86%** **12/14**
3.1.1.b – Number of positive results attained in policy impact and replication. • Policy impact • Replication	n.a.	57% 54% (14/26) 60% (3/5)	63% 68% (21/31) 59% (10/17)	56% 56% (28/50) 56% (10/18)
Average	**Satisfactory**	57%	**68%**	**71%**

69. In 2003, 12 out of 14 external evaluations (five project evaluations, eight programme impact assessments, and an organizational performance assessment) assessed the operational impact of the UNCDF activities positively. The assessments affirmed the theoretical underpinnings and impact of the local governance and microfinance programmes. The performance in terms of policy impact and replication, while dropping in relative terms, has improved in absolute terms over the years.

Outcome 3.1.2. UNCDF maintains operational results and quality assurance through improved elements of the project cycle and continuous learning through monitoring and evaluation. (2000-2003 average: 89%)

Indicators	2000 results	2001 results	2002 results	2003 results
3.1.2.a – Projects formulated within a year (from fielding of mission to approval).	Satisfactory	Exceeded expectations	100% (4/4)	**67%** **(6/9)**
3.1.2.b – Projects formulated according to corporate guidelines and approved.	Satisfactory	Satisfactory	80% (4/5)	**89%** **(8/9)**
3.1.2.c – Projects approved that start implementation within six months.	n.a.	n.a.	80% (4/6)	**100%** **(6/6)**
3.1.2.d – Ongoing projects with monitoring and evaluations systems in place.	n.a.	48% (44/92)	43% (40/93)	**46%** **(34/74)**
3.1.2.e – Projects reporting through the management information system (MIS).	n.a.	n.a.	75% (15/20)	**73%** **(29/40)**
3.1.2.f – Annual reports available for ROAR.	n.a.	83% (44/53)	69% (40/58)	**72%** **(36/50)**
3.1.2.g – Evaluations implemented according to plan.	90% (18/20)	71% (15/21)	67% (16/24)	**74%** **(14/19)**

Indicators	2000 results	2001 results	2002 results	2003 results
3.1.2.h – Best practices documented and disseminated.	100% (9/9)	100% (2/2)	350% (7/2)	**113% (34/30)**
Average	**95%**	76%	**106%**	**79%**

70. UNCDF performed strongly under this outcome over the four years. Following the recommendations of the 1999 external evaluation, UNCDF reduced project formulation and implementation time significantly, and steadily improved its monitoring and evaluation systems. Documentation and dissemination of best practices is an area of consistently high performance, though the impact assessment noted that knowledge management could be more effective.

Outcome 3.1.3. UNCDF maximizes its comparative advantage through strengthened and expanded strategic partnerships. (2000-2003 average: 113%)

Indicators	2000 results	2001 results	2002 results	2003 results
3.1.3.a – Number of programmes, projects and joint activities with replication partners.	50% 1/2	100% 2/2	180% 9/5	100% 17/17
3.1.3.b – Number of technical advisory services provided.		380% (19/5)	108% (43/40)	92% (59/64)
3.1.3.c – Number of external visits per week to website.		3800	7000	6500
3.1.3.d – Number of new publications or videos produced as planned.			100% (2/2)	100% (7/7)
Average	**Partially achieved**	**Satisfactory**	**129%**	**97%**

71. There was a remarkable increase in the number of programmes and joint activities with replication partners, increasing from a single activity in 2000 to 17 in 2003. The number of discrete advisory services provided with cost recovery grew from 19 missions in 2001 to 59 in 2003. The number of new publications and video productions also grew, helping to disseminate experience and promote UNCDF to strategic partners.

Outcome 3.2.1. UNCDF maintains effective corporate management. (2000-2003 average: 82%)

Indicators	2000 results	2001 results	2002 results	2003 results
3.2.1.a – Targets of corporate management/business plans are met.	**Action plan: 100% (3/3)**	Action plan: 77% (8.5/11)	**Action plan: 82% (9/11) Business plan: 82% (50/61)**	**Action plan: 91% (10/11) Business plan: 89%**
3.2.1.b – Targets of unit plans are met.	n.a.	n.a.	82% *LGU: 81% Microfinance Unit: 90% *EVAL: 75%	84% LGU: 82% Microfinance unit: 100% EVAL: 69%
Average		**77%**	**82%**	**87%**

*LGU=Local Governance Unit; EVAL=Evaluation Unit

72. Corporate management was effective and focused on completing the tasks enumerated in the Action Plan 2000 and the Business Plan 2001-2003. The impact assessment of UNCDF confirmed that the organization had followed through on the recommendations of the 1999 external evaluation, with 10 out of the 11 (91 per cent) recommendations either completed or under way.

Outcome 3.2.2. UNCDF attracts, develops and retain high quality personnel. (2000-2003 average: 100%)

Indicators	2000 results	2001 results	2002 results	2003 results
3.2.2.a – Ratio of actual staff to planned staff in Headquarters.			**92% (47/51)**	**90% (46/51)**
3.2.2.b – Targets for competency development and training are met.			120%	96%
Average			106%	**93%**

73. Budget constraints required UNCDF to reduce its staffing over the past few years. By the end of 2003, UNCDF had a 10 per cent vacancy rate in anticipation of a reduction in the total number of core posts at Headquarters from 38 in the 2002-2003 biennium budget to 32 in the 2004-2005 budget. This led to increased work pressure and had a negative impact on staff morale. UNCDF had attained a healthy 50:50 gender balance at the professional level by the end of 2003. To maintain its comparative advantage, UNCDF committed resources for competency development activities, which were carried out successfully.

Outcome 3.2.3. UNCDF improves financial efficiency. (2000-2003 average: 87%)

Indicators	2000 results	2001 results	2002 results	2003 results
3.2.3.a – Financial performance				
1. Headquarters expenditures as a percentage of total UNCDF expenditures.	11%	15%	18%	**22%**
2. Programme expenditures as a percentage of total UNCDF expenditures.	89%	85%	82%	**78%**
3.2.3.b – Accuracy of financial planning (i.e., variance analysis of actual expenditure in relation to planned expenditure)				
1. Programme expenditures (core) - Percentage of target - Actual/target (in $ millions)	97% 39.3/40	91% 32.8/36	90% 22.6/25	**88%** **16.7/19**
2. Approvals - Percent of target - Actual/target (in $ millions)	77% 19.2/25	100% 10.6/10.6	48% 9.1/6	**73%** **5.1/4**
3.2.3.c – Cost-recovery through technical advisory services (in $ millions) actual/target	n.a.	n.a.	47% 0.2/0.4	**150%** **1.5/1**
Average (excluding 3.2.3.a)	**87%**		62%	**104%**

74. The high rating of performance under this outcome reflects efficient financial management, not resource mobilization. The administrative budget of UNCDF remained constant at around $6 million for the past decade. Increased salary costs due to General Assembly-mandated salary increases were offset by post reductions. This, along with other cost-cutting measures, kept the Headquarters-to-programme expenditure ratio at an acceptable level, (below 20 per cent) until 2003, when the sharp reduction in programme expenditure resulted in a Headquarters ratio of 22 per cent. This should be corrected in 2004 when total programme expenditure should increase. It should be noted that Headquarters expenditures include the costs of technical advice and support to programmes.

Outcome 3.2.4. UNCDF expands and diversifies its funding base. (2000-2003 average: 74%)

Indicators	2000 results	2001 results	2002 results	2003 results
3.2.4.a – Core and non-core funding	80%	81%	74%	**90%**
1. Core (in $ millions)	30.3/38	24.3/30	22.3/30	**27/30**
2. Non-core agreements signed (in $ millions)	76%	51%	125%	**102%**
	3.8/5	4.1/8	12.5/10	**10.2/10**
3. Non-core funding received	44%	21%	35%	**107%**
	2.2/5	1.7/8	3.5/10	**10.7/10**
3.2.4.b – Number of donors	20	15	16	**19**
Average (for 3.2.4a only)	**67%**		78%	**100%**

75. UNCDF expresses gratitude to new donors and those that have increased their contributions, while noting that the overall increase in core contributions in 2003 was due in large part to favourable exchange rates. Donors indicated that the outcome of the independent impact assessment of UNCDF could have implications for their future contributions. As the assessment is favourable in the main, future core can be expected to stabilize or even increase. Non-core resources have increased rapidly. While it is anticipated that UNCDF will be able to continue to mobilize high levels of non-core support, it is unlikely to be a source of significant growth in future years without a firm base of core resources – and it cannot serve as a substitute for core resources.

V. Lessons learned in results-based management

76. The introduction of results-based management (RBM) into UNCDF initiated an organization-wide culture change. Over time, with the requisite support from management, the RBM development and reporting process helped clarify and build a common understanding of the organization and its strategy, focusing staff efforts on key strategic results and improving project planning and monitoring at the field level. Several key lessons learned were:

(a) In order to infuse RBM into the work culture of the organization, direct links must be created between the RBM system and the unit and individual performance plans.

(b) To ensure continued relevance, the RBM indicators must be reviewed and revised regularly (though this flexibility may complicate inter-year comparisons).

(c) The RBM system is suited to reporting on project performance in terms of output attainment but less so for reporting on outcome/impact. That is, it is better suited to assessing organizational effectiveness than development effectiveness.

(d) As the RBM system is a self-assessment system, there is, over time, the danger of distortion or information bias in order to attain better performance ratings. The validation process, utilizing external evaluations to validate the self-assessments, will have to guard against this.

77. The underlying assumption of the RBM system – that higher levels of performance denote improving organizational effectiveness – is challenged by the innovative, high-risk nature of the interventions undertaken by UNCDF, for which some rate of 'failure' is expected – indeed, it is an integral and important aspect of innovation and learning.

Annex. The SRF/ROAR methodology

78. The strategic results framework 2000-2003 was developed in 2000 in consultation with all UNCDF partners and staff, including field staff, and was approved by the Executive Board in June 2000. As a 'live' results-based management tool, the SRF is revised regularly.

79. Annual targets for outcomes and outputs are set for projects and linked with SRF indicators (if and when relevant). Programme managers, monitoring and evaluation technical advisors and the Evaluation Unit screen the targets to ensure relevance to the SRF and that targets are realistic. Annual work plan reports are submitted at the end of the year. Field technical reports and external project evaluation findings are used to validate them.

80. Performance is rated according to target achievement rates for each project reporting under a specific SRF outcome indicator. The categories are defined as follows:

(a)	Over 100%:	Exceeded targets
(b)	75 - 100%:	Satisfactory
(c)	50 - 74%:	Partially achieved
(d)	Below 50%:	Below expectations

81. Performance under each SRF outcome indicator is calculated by dividing the number of projects assessed as "satisfactory" and "exceeded targets" by the number of projects reporting under the indicator. For example:

Project	Target	Achievement	Percentage	Category
Project 1	100 villages	80 villages	80%	Satisfactory
Project 2	50 communes	25 communes	50%	Partially achieved
Project 3	2 districts	2 districts	100%	Satisfactory
Overall assessment of indicator			67% (i.e. 2 out of 3 projects attain 75% or more of their targets)	Satisfactory

82 For the 2003 ROAR, following the assessment of performance by SRF indicator, to facilitate inter-year comparability of different indicator sets for sub-goals 1 and 2, the assessment of overall progress towards an outcome is calculated by taking the average of the indicator scores. A "satisfactory" assessment means that UNCDF has progressed acceptably towards achieving the outcome. For example:

Outcome indicator	Total number of projects reporting	Number of projects satisfactory or better
Indicator 1	3	2 (67%) – satisfactory]
Indicator 2	16	15 (93.8%) – satisfactory]
Indicator 3	10	6 (60%) – partially achieved]
Overall assessment of progress towards outcome		73.4% (Rating: partially achieved)

83. Finally, the assessments of outcomes are aggregated under each sub-goal and analyzed to determine the overall performance of the fund and identify future corrective measures.